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Major News Releases and Speeches

April 1 - April 8, 1983

IN THIS ISSUE:

IN THIS ISSUE—Continued on inside cover

IN THIS ISSUE—Continued

News Releases—

Remarks

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Secretary of Agriculture John R. Block before the Outlook for World Grains Conference, London, England, March 23.

BLOCK: We had a very successful trip to Tunisia, Egypt, Saudi Arabia and Turkey. These countries—with the exception of Turkey—are food deficit countries. Several of their governments are going to extreme measures to try to produce food. In come cases, these measures involve very heavy subsidies to encourage agricultural production.

We in the United States are trying to reduce production while some of these countries are going to great extremes to increase production. To me, this doesn't make a lot of sense.

There is an inclination in this world to want to be self-sufficient in food almost regardless of what it costs. I believe this became the case because many countries historically haven't had the kind of transportation and trade that we see today.

But now that we are in a modern era of agricultural trade, it is time other nations realize the conditions under which we trade, and the ridiculous situation that occurs when one side is subsidizing reduced production while the other is subsidizing increased production. The law of comparative advantage should be given an opportunity to function as it should function.

U.S. agriculture has an advantage thanks to our efficiency, our weather and our technology. As we look to the future and work with other countries, we will continue to reassure them of our reliability as a supplier, reassure them that adequate supplies are going to be available and that we will continue to transfer technology to them. At the same time, we must remind these countries that their agricultural production must be economical.

In the case of Saudi Arabia, I told government officials I would provide a letter of assurance that the United States will provide the Saudis the supplies of food and fiber they need. The Saudi minister of commerce said his country would take such a letter into account when

making their decisions on how to increase their own domestic production of wheat and other commodities.

The Saudis buy $7 billion worth of food a year, $4 billion of which goes for processed foods. The U.S. share is less than $500 million, so we obviously are not doing a very good job in that market.

In Tunisia, we discussed a possible blended export credit package which has not yet been accepted. We will send a team to Tunisia to explore the possibilities for investing in livestock and dairy feeding facilities. Tunisia is interested in U.S. equipment and technology and is looking forward to importing U.S. dairy animals.

In Egypt, we announced a $50-million blended credit program, $30 million of which involved tobacco.

In Turkey, I announced we will establish an agricultural attache's office to work with our trade people and we discussed plans for Deputy Secretary of Agriculture Lyng to lead an agribusiness team to Turkey this fall.

Turkey currently is self-sufficient in agricultural production. However, since Turkey is looking toward greatly expanding their livestock production, we believe that country has the potential to become a good market for our feed grains and, possibly, for our wheat.

QUESTION: Less than two weeks ago you announced the payment-in-kind program to take U.S. farmland out of production. In light of this reduced production, do you think the United States will be able to fill the void you see overseas?

ANSWER: We have absolutely no concerns about our ability to meet the foreign demand for our products. We have adequate stocks, even with the PIK program.

Q. Do you see a greater use by the United States of bilateral agreements with regard to agriculture?

A. Bilateral agreements are an open subject, as far as I am concerned. While I am not sure it is wise to tie up most of the world's trade with these agreements, I do think that if it is neccessary to make some sort of commitment to provide assurances to our trading partners, then there may be cases where some type of agreement or statement may be necessary.

Q. During your trip, you stopped in Great Britain. Did you raise the issue of what is seen here as unfair subsidies by the European Community countries?

A. I told the British of our deep concern about EC export subsidies. I also told them of our hope they would use their influence to try to bring some sanity into export trade questions and the export subsidies that are creating the problem between the United States and the European Community.

Q. As a result of your trip, do you expect any subsidized sales such as poultry to Saudi Arabia or cheese to Egypt?

A. No, not as a result of this trip. However, the door is open and the United States does intend to maintain a very competitive position in world trade.

Q. What will be included in your letter of assurance to Saudi Arabia?

A. That still is undecided. It will be a negotiated letter which certainly will include wheat. I feel it should have a few other commodities in it or otherwise be broadened to provide the kind of product assurances they would like to see.

Q. Would such a letter specify tonnage or guaranteed delivery or both?

A. At this time, we are not talking about a range in tons. We are talking about providing reasonable supplies.

Q. How can you guarantee that any letter of assurance to the Saudis will be honored by succeeding presidents, administrations and congresses?

A. It is true that anyone can break any kind of agreement. But an agreement puts this country's reputation on the line, and I think this will carry quite a bit of significance and weight in the future. Remember, the final assurance could last indefinitely or it could cover only a specific period of time. We most likely wouldn't make an indefinite commitment.

Q. Is the idea of letters of assurance something the administration may use again in the near future?

A. I would not rule that out.

Q. Have you given this idea to the White House and has President Reagan approved it?

A. I have not talked to the president about it.
Q. Has anything in the past few weeks improved the climate for discussing the export problems with the Europeans?
A. It seems to me that progress in this matter is painfully slow, but secretaries of agriculture tend to be impatient.
Q. Do you have a target date for the next possible talks on a long-term grain supply agreement with the Soviet Union.
A. We don't have any specific dates. In fact, to date, this administration has not made a decision to seek a new long-term agreement.

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Prepared for delivery by Secretary of Agriculture John R. Block before before the National Agri-Marketing Conference, Washington, D.C. April 6.

I'm really delighted to be here with you today. Especially after the pace I've been keeping the last couple weeks, pushing our farm exports in Europe and Africa. It's always good to feel American soil under your feet again.

I'm certain many of you know how exhausting a trip like that can be.

Two weeks of steady travel.

Hotel rooms, meeting after meeting, adjusting to various time zones.

Sooner or later it begins to take its toll.

That's why I enjoy the plane rides. It gives me a chance to relax—to to sit back and put my thoughts together. But that doesn't always work out, either. It never ceases to amaze me where you'll find somebody wanting to talk about agriculture.

It reminds me of this particular stewardess we had on a recent flight. She asked me if I wanted coffee, tea or milk—and what kind of whole base bid should she make in our PIK program.

As it turned out, her husband was a pilot who also farmed when he had his feet on the ground. They had decided to sign-up for PIK. And I

guess she figured that at 30,000 feet, she'd never have a better chance to get some of her questions answered.

Actually, we had a good talk about agriculture. It's a subject I never get tired of talking about, whether it be about past accomplishments or challenges of the future.

I came across a statement recently which impressed me. "We salute the past. Embrace the present. And anticipate the future. I'd like to talk today in the context of those three divisions of time—the past, the present and the future.

It's important that we look back at some history of American agriculture. I believe it will help us understand the present and look forward to the future.

Large-scale historical or economic movements are generally evolutionary in nature. The development of agricultural policy is no exception. For example, during the nation's first 150 years, there was no farm program. In fact, there wasn't even a U.S. Department of Agriculture until 1862.

At that time, President Lincoln praised the American farmer as a "great interest, so independent in its nature as to not have demanded . . . more from government."

This independence continued for over 60 years as the U.S. Department of Agriculture limited itself mostly to statistics and research.

Then, in the late 1920s, the government began a succession of programs to stabilize prices and raise farm income to levels achieved in other sectors.

Farm programs during this early period tended to be inflexible. They required a relatively high degree of government intervention. But they did achieve their basic purpose. They helped maintain our productive base. They helped ensure adequate supplies of food at stable prices.

During the 1960s, farm programs became more responsive to market forces. The hand of the federal government started to loosen a bit. Then came the '70s.

They were extraordinary years for U.S. agriculture. Tight world food supplies triggered an unprecedented expansion for U.S. farmers.

Prices rose sharply. Price supports soon followed suit. Credit was

easy. Expectations were high. Then the wave of growing demand crested . . . then it broke.

Prices fell. Markets shrank. Yet supplies remained abundant. Something had to be done. And done quickly.

Last fall, we were staring at the very real possibility of worldwide carry over stocks reaching 250 million metric tons. And 60 percent of those stocks would be right here—depressing prices in the U.S.

Our economists figured that the situation might correct itself in about five years. But farmers didn't have five years. And the government didn't have massive amounts of money available to support the industry during the interim.

The need for action was urgent. The PIK program was our response.

So that's the past. Very briefly, that's how we got to where we are now. But where are we now?

We've just had a tremendous sign-up for PIK—82 million acres out of production. It's the largest reduction in the history of government farm programs. Farmers saw this as an individual action they could take which would benefit agriculture as a whole.

PIK is not perfect.

We at USDA are aware of the possible negative effects on farm suppliers. But those effects won't be as great as some might have predicted. We've estimated that farmers' use of seed, fertilizer and pesticides will drop by only 12 to 15 percent. Fuel use will drop eight to 10 percent. And machinery purchases will be down by as little as two to three percent.

Keep in mind, the long-term benefits of PIK will outweigh these costs. It's like cod liver oil. It may not taste so great going down—but it's good for what ails you.

You realize that. I have read comments from trade associations, from implement companies, from many of you saying that you are willing to ride it out. You realize these short-term risks are worth taking to attain the long-term benefits.

And I do see a good many benefits for agriculture from PIK:

— Production will be reduced and supply/demand will be more balanced;

— Stocks and production can be reduced at the same time;
— Availability of market supplies will be maintained;
— Government outlays for domestic programs will decline;
— The program is self-terminating;
— Farmers will have the same or greater net returns;
— Sound conservation practices will be applied to more acreage; and
— Storage space problems will be lessened.

Farmers recognized these values in this program. Their response indicates a willingness to make it work.

So that's where we are at the present. We can't change history. But we do have a say in our future. What happens then will depend on the judgments we are making at this very moment. It's like the famous statement. "Those who cannot remember the past are condemned to repeat it."

Let's look ahead a little.

It is a natural human tendency to want to know more about the future. I don't have a crystal ball, but I have strong views on the directions I see for American agriculture in the coming years.

I spoke earlier about the evolution of agricultural policy. I see the PIK program as a small step, and extremely crucial step—one which will carry us forward. But only if we keep putting one foot in front of the other.

As Will Rogers once said, "Even if you're on the right track, you'll get run over if you just sit there."

With PIK, we have succeeded in buying some time. We have not bought prosperity, yet. We merely have a little breathing space for a year or two. We can't waste that time congratulating ourselves. It's not time for that yet. Now is the time to get back into the fray. Now is the time to keep the debate going.

What is the debate about? I think we are coming around to a very basic crossroads in agricultural policy—a watershed. Problems as big as those facing us today do not go away in a few months or years. Too much needs to be changed.

Mark Twain recognized the slow process of change when he wrote: "Habit is habit, and not to be flung out of the window by any man, but coaxed downstairs a step at a time. So—what is our next step. What is beyond PIK?

With economic improvement and normal weather, the PIK program and other production controls should eliminate the surpluses accumulated in 1981 and 1982. It's projected to have served its purpose by the end of 1984.

Demand will improve, but slowly. It hinges on a worldwide recovery that is just now getting underway. So we are still anticipating a period—perhaps extending into the late '80s—in which supply will continue to exceed demand.

The policies that we pursue during the next year or two could very well make the difference between shortage and surplus.

As I see it, we have two basic options. We can continue along the path to a more market-oriented agriculture . . . or we can opt for more government involvement. That means higher loan rates and target prices—less freedom for the farmer.

Let's move on to that topic. Government involvement in our nations's farms.

The basic trend in agriculture has been toward programs that will allow markets to determine prices. Farmers would have maximum freedom to make their own decisions. These programs have also offered protection against extreme market volatility.

The government, to maintain stability, can help agriculture during these periods. Right now we're talking about $18 billion worth of help . . . in a time when this administration is trying to trim huge federal budget deficits.

We cannot let financial pressures in agriculture force us to add unnecessarily to our country's financial burden. We must not reverse the 20-year trend toward market-oriented commodity programs.

This is serious business. Right now, proposals are being put forth which would increase the federal role in agriculture. The government as a matter of course would be expected to set fairly high loan rates and target prices, adjust acreage, and buy surpluses when these high support levels encourage overproduction.

High supports. Overproduction. Government purchases.

Does that sound familiar?

From where I'm standing, it sounds so much like the dairy industry scenario that it frightens me. Think about it.

What favors did we do for the dairy farmer back in the late '70s when we increased the milk support price. What business do we have leading other commodities down the same primrose path?

When are we going to learn—the higher the support prices, the greater the trouble. We should have learned enough from dairy to not even have to argue the point.

We should have learned that the old panaceas won't work. No more "take two subsidies and call me in the morning."

Farm policy has become a tremendous Rube Goldberg machine. It's been added to, subtracted from, revised, and reprogrammed for so many years—growing larger and more unmanageable all the while.

Sometimes, it pulls in two directions simultaneously. For instance, current law mandates an automatic escalation of target prices without regard to market conditions or production costs. We are bound by law at USDA to administer this escalation.

Do you know what that means. It means we have two hands in the USDA that are forced to operate in opposition to one another. We're using one hand to administer a PIK program to discourage production. The proverbial other hand is providing support prices which encourage farmers to produce for the government rather than for the market.

Unless we can convince Congress to maintain target prices at 1983 levels, we will be setting the stage for a repeat performance of surplus stocks. And after all we have gone through with PIK, somebody out there is bound to raise their hand and ask. "Why?"

I sincerely hope we never find ourselves in a position where we will have to answer that question. We won't have to face that question tomorrow—providing we send agriculture in the correct direction today.

Government helped to build this huge machine. So government must be part of the task of bringing it under control—of changing its direction.

But we can't do it alone. It will take a combined effort—USDA, Congress, farmers and people like yourselves who have a strong interest in the fate of agriculture in this country. At the same time, we must not spend so much time on domestic matters that we neglect our responsibilities in market development.

This is an area where federal strength can be most effective.

The most obvious, of course, is in representing the American farmer in trade negotiations and discussions with other nations—most specifically at this point, those in the European Economic Community.

President Reagan has said: "We believe in free trade, but we are no longer going to play patsy for those who would use this commitment as leverage against us. Free trade means access for those trading with us and it also means access for Americans to their markets. It's got to be a two-way street or no deal. Our trade representative must do everything it takes to tear down trade barriers and end unfair trade practices."

You have all read the figures on EC subsidies. We have responded to these European discounts with blended credit and special supply agreements. But no one wins in this tit-for-tat situation. Government has a definite role to play in working out a solution to the problem.

In the meantime, we've sent trade teams around the world to seek new markets. These efforts have paid off. We expect to ship more grain to Iraq and Morocco, to have sizeable grain sales to India, and, of course, we have a deal with Egypt that represents one-sixth of the world's wheat flour trade.

But we're not stopping there. We want to broaden our agricultural exports to include more than just raw farm commodities.

In May, in conjunction with the National Association of State Departments of Agriculture, we are sponsoring an agricultural exposition in Atlanta. For three days, foreign buyers are invited to view our American-produced food items.

It will be a tremendous supermarket of possibilities. But buyers won't take home a pound of flour or a breast of chicken. Instead, they will carry away an awareness of the richness and variety of American value-added processed food.

To show the importance of this endeavor, let me cite some figures: If the U.S. could increase to 15 percent its share of this world market by 1990, we could expect the additional foreign trade to generate a one to two percent increase in the GNP.

More importantly, it would generate 1.5 million more jobs—a million in the non-farm sector, and half a million in rural America. I know I don't need to point out to you the crucial part that marketing can play in this whole endeavor.

This all tells me that agriculture is beginning an exciting new era. I'm anxious to begin. I know you are too.

In June and July, I will begin meetings with the leaders of American agriculture. We will be attempting to hammer out some kind of consensus on where we go from here.

Everyone who truly cares about the long-term interests of American agriculture must commit themselves to an honest, factual evaluation of the alternatives before us.

Farm policy, at its best, provides a reasonable assurance of income to the producer and a reasonable assurance of supply to the consumer.

Past policy has gotten badly out of balance. PIK buys us a little time in the present to regain that balance. Time in which to move toward a freer more flexible program for the future.

You and I know that no successful undertaking can settle complacently into "business as usual.. At least not if we hope to remain successful. We must continue to evolve and grow.

We can salute the past—building on its lessons. We embrace the present—maintaining our momentum and our confidence. And we anticipate the future—changing American agriculture for the better.

Helping it to flourish again—for the benefit of us all.

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Testimony

Testimony by John W. Bode, deputy assistant secretary for food and consumer services, U.S. Department of Agriculture, before the Nutrition Subcommittee of the Senate Agriculture Committee April 6.

Mr. Chairman, and members of the subcommittee, we appreciate the invitation to appear before you today to discuss the nutritional status of low-income Americans and this administration's legislative proposals for fiscal year 1984. Accompanying me is Robert Leard, administrator of the Food and Nutrition Service, and Isabel Wolf, acting administrator of the Human Nutrition Information Service.

At the outset, I want to assure this subcommittee that the administration remains concerned about the nutritional well-being of low-income Americans and is committed to providing food assistance to those in need. The network of ten major feeding programs administered by the Food and Nutrition Service has met the challenges of difficult times. At the same time, we believe that further refinements will improve program performance and increase the return on the taxpayer's investment.

This hearing was scheduled to examine the nutritional status of low-income Americans. First, I would like to summarize our knowledge on this matter; then I will describe our proposals to improve the federal nutrition assistance programs.

Nutritional Status of Low-Income Households

The most recent information available is from the 1977-78 Nationwide Food Consumption Survey (NFCS) and the supplemental Surveys of Food Consumption in Low-Income Households conducted in 1977-78 and in 1979-80.

The Surveys of Food Consumption in Low-Income Households have provided us with a rich source of information about the diets of low-income households and some of the factors affecting them.

Such information is especially helpful to the Department in targeting and appraising food assistance and education efforts.

About 40 percent of all households in the two surveys of low-income groups used food that met the RDA's for all nutrients. Within this low-income group, food stamp program households met approximately 47 percent of the RDA's for all nutrients and non-food stamp households met approximately 36 percent of the RDA's. These figures compared with a nationwide sample of households at all income levels in the 1977-1978 survey where 50 percent of all households met the RDA for all nutrients.

In addition, USDA's surveys show that households with low food costs and low incomes are relatively good shoppers. For every dollar worth of food, households with low food costs obtained up to 25 percent more nutrients than two higher income household groups.

At the present time, the Department has underway two methodological studies which are designed to improve our data collection capabilities both in terms of data validity and costs. The first study, now in the field, is testing nine alternative methods of collecting longitudinal individual intake data (up to 12 days' dietary intake over a 1-year period). The second study will test three of the "best" methods from the previously mentioned study on low-income population segments.

I would like to reiterate that these studies are methodological studies, and will not provide data that can be interpreted to evaluate the dietary status of the population. As a part of its commitment to the National Nutrition Monitoring System, the Department plans to initiate a continuous, longitudinal individual food intake survey in 1985. A monitoring group, plus children in households containing an individual in the monitoring group, will be included initially. Eventually, other sex-age groups or high-risk groups will be included. The household phase of the NFCS is scheduled to be initiated in 1987 in the same manner as the 1977-78 NFCS.

Continuing Support For The Nutritionally Needy

Since this Administration came into office, some significant changes have been made in nutrition assistance programs. They have been judicious changes, calculated to reduce the rate of program growth while continuing to protect those in need. Though these changes have had some budgetary impact, the Federal government is spending more

than ever before on nutrition assistance. Currently, we are spending $17.5 billion in direct assistance, and we are also providing $1.1 billion in our special dairy distribution and bonus commodity donations, for a total of $18.6 billion. The Federal government currently subsidizes, in whole or in part, approximately 95 million meals per day. The WIC program has grown tremendously; participation for the first quarter of this year is 20 percent greater than in the comparable period last year. Since President Reagan took office, the Food Stamp Program's average per person benefit amount and maximum allotment amount have grown faster than food price inflation.

Almost one in ten Americans receive Food Stamp Program benefits. A greater percentage of School Lunch Program dollars are dedicated to providing meals for children from low-income families. Indeed, we have increased the subsidy for meals served to children from low-income families. Additionally, we have exercised discretionary authorities to distribute cheese, butter, non-fat dry milk, rice and cornmeal to low-income households.

Furthermore, we have been able to maintain support for those in need during adverse economic times, without adding new, permanent programs. The Food Stamp Program has grown in response to unemployment levels as one of several programs providing benefits to almost everyone with income below 130 percent of the poverty guideline.

Also, this administration has taken strong and effective steps to curb fraud, waste, and abuse in food assistance programs. We believe this is essential not only for reasons of economy but also because the legitimacy of food assistance programs in the eyes of the public is threatened when they are known to be abused or wasteful. We remain concerned about the sort of program complexity which leads to error and waste, and our Fiscal Year 1984 Legislative Proposals address this problem.

Administration's Fiscal Year 1984 Proposals

Now I would like to briefly discuss the administration's fiscal year 1984 proposals.

The administration's proposals for modifying food assistance programs are consistent with the government-wide plan to delay cost-

of-living adjustments by six months. This does not constitute a reduction in benefits but is a delay in implementing scheduled changes. This delay will not have a significant effect because of the substantial reduction in the rate of inflation. We project that the currently scheduled October adjustment would raise the four-person monthly allotment by only one dollar.

Food Stamps

As I indicated previously, we are concerned about complications in the Administration of the Food Stamp Program which have contributed to increased error. Our Food Stamp quality control system indicates that approximately 10% of the program benefits are overpaid or issued to ineligible participants. That means we are wasting over $1 billion a year in the Food Stamp Program.

Therefore, the goals of our 1984 food stamp proposal are: (1) to streamline and simplify the program so that errors at certification can be reduced; (2) to revise the error sanction system so that we subsidize only 3% of State errors; (3) to improve the work policy in order to encourage employment.

Our 1984 proposed budget for the Food Stamp Program would spend $10.9 billion. This is $766 million less than what the program would cost in 1984 if there were no changes. Over half of these savings (55%) are due to the proposed revision of State agency liability, and 25% from simplified administration. Five percent of the savings will come from proposed changes in program work experience requirements, and 15 percent from reducing benefits or curbing the rate of program growth.

I think it's important to note that 80 percent of the savings will come about by reducing misexpenditures rather than recipients' benefits. This proposed budget was designed to minimize the reduction of any household's entitled benefits.

We propose to revise and simplify the program's system of deductions. First, we would establish a standard/shelter deduction of $140, adjusted April 1 of each year. It would replace the existing standard deduction and the itemized excess shelter expense deduction and would save $125 million in erroneous payments. Second, we would replace the itemized earned income deduction with a standard earned

income deduction set at $75 monthly per full-time worker. Third, we would retain the dependent care deduction so that households who need to pay for child care in order to work could claim up to $115 a month as a deduction.

These proposals will help the Food Stamp eligibility worker by eliminating one of five possible deductions and six of ten computations. As a result, both errors and administrative burden would be reduced.

These proposals would achieve an estimated $326 million in savings in Fiscal Year 1984. Since about one-third of these savings come from simplification and error reduction, the impacts on households are not great - an average loss in benefits of 7 a day. Among households headed by women who have children, 13 percent will have no change while 46 percent will receive more benefits; the average change for these households will be a loss of only 3 a day.

We also propose to make households where all members receive AFDC payments categorically eligible to receive food stamp benefits. This would simultaneously reduce error and free up staff time to be devoted to more error-prone cases. For AFDC-only households, we would replace individual determinations of benefit levels with a simplified benefit determination based on average food stamp benefits for AFDC households in each State. The benefits of average households would be unaffected by this proposal, which would save $70 million in Fiscal Year 1984 through simplification and error reduction. Twenty-five percent of the food stamp caseload is AFDC-only households.

Our proposal to consider persons who live together as one household for food stamp purposes would save an estimated $70 million in Fiscal Year 1984. Establishing and verifying who lives together is easier than determining who purchases and prepares food together. This proposal would eliminate eight of a possible ten decisions for the food stamp case worker. Furthermore, it will eliminate certain cases of abuse. Unrelated recipients can manipulate current rules and gain higher benefits by filing as separate food stamp households. Requiring all individuals living together to file as a single unit would end this abuse.

Fiscal Year 1984 savings would be increased by $90 million by our proposal to require certain able-bodied persons to work in community

work experience programs (CWEP). This proposal, coupled with the job search requirement, would encourage the able bodied to find work in the private sector. If no jobs are available, CWEP participants would perform useful work which meets community needs. We believe that a community work experience program provides benefit recipients with valuable job skills and work experience; it encourages the transition to economic independence; it fosters an equitable system by requiring work of those who can work; and it provides a return to the community for benefits received.

Our proposed changes for Fiscal Year 1984 will increase the States' opportunities to reduce errors. An additional incentive is needed to reduce state errors from their unacceptably high levels. Since food stamp funds are exclusively Federal dollars, States lack a strong incentive to improve administration. Error rates are lower in both AFDC and Medicaid where States share in program costs.

We propose to establish State liability for the value of eligibility or overissuance errors above a 3 percent tolerance level. This will save an estimated $423 million in Fiscal Year 1984.

The administration's proposal to revise the error sanction system provides a stronger incentive for error reduction. It places fiscal responsibility for incorrect eligibility and benefit determinations with those in a position to take corrective action. It also conforms the error tolerance level with that of the AFDC and Medicaid programs.

In summary, our 1984 food stamp proposals will simplify administration of the program, reduce error, provide incentives to obtain employment, and curb the rate of benefit growth.

Now, I would like to discuss the Child Nutrition program proposals.

For the Child Nutrition Programs, the legislative proposal for Fiscal Year 1984 was developed with two goals in view. These goals are to simplify and streamline program administration and reduce errors and deter fraud.

The General Nutrition Assistance Grant

The proposed General Nutrition Assistance Grant of $535 million is designed to simplify program administration for state agencies, by consolidating funds expended in the Summer Food Service, School Breakfast, and Child Care Food Programs. The result will be enhanced

administrative efficiencies through the reduction of program complexity and program tailoring by the States to fit their needs. This consolidation of programs will reduce Federal costs by $217 million in Fiscal Year 1984.

The programs included in the proposed General Nutrition Assistance Grant each present problems that are of concern. The nutritional quality of the breakfast meal is not superior to other sources. There is no assurance that Summer Food Service Program benefits are provided to low-income chldren. Up to seventy-five percent of meals served in Family Day Care Homes in the Child Care Food Program are provided to non-poor children.

We considered corrective incremental changes to these programs which would have achieved savings comparable to our proposals. However, we thought it made more sense to allow states the flexibility to tailor programs to the needs of their localities through the General Nutrition Assistance Grant.

Eligibility Verification

In an effort to reduce error and deter fraud, the USDA is proposing that income eligibility determination functions for school meals be performed by food stamp offices or, if equally capable, schools. In such cases, food stamp offices would receive reimbursement for their services from enhanced State Administrative Expenses. I am concerned that our proposal is being widely misinterpreted. We are not proposing that children or their parents be sent to food stamp offices to be certified for free or reduced-price meals. We intend for state and local school officials to take advantage of eligibility verification expertise that exists in the Food Stamp offices. Our proposal will allow states to design eligibility verification methods that best meet their needs using the resources of both the education and welfare systems.

Create An Independent Reduced-Price Subsidy Level

Under current law the subsidy for reduced-price meals is tied to the free meal rate. Consequently, it is over-compensated when an adjustment for inflation is made, and the reduced-price meal rate increases faster than inflation. We propose modification of this provision, so that the reduced- price subsidy would increase at the same

rate as the Consumer Price Index "food away from home" component. This proposal would provide increased equity in subsidies.

Maintain WIC/CFSP Funding

Under the administration's proposals the WIC and CSFP funding level would be maintained from fiscal year 1983 to fiscal year 1984. WIC program participation has grown substantially during this administration, and high priority WIC cases will continue to receive benefits.

The fiscal year 1984 budget proposals represent the continuation of a new system designed to re-establish the balance of decisionmaking among the federal, state and local levels of government. As stated before, the goals of the budget are to simplify program administration by consolidating programs and providing States the flexibility to tailor the specific programs offered to the needs of their localities, to reduce error and deter fraud by transferring income verification responsibilities from school administrators to trained and experienced food stamp staffs, and to create a separate subsidy level for reducedprice meals. We believe that this legislative package is a positive effort to improve program operations at all levels of government.

Summary

In summary, I think you can see the common sense in this budget. It responds to the compelling need for the reduction of unnecessary expenditures in order to limit a serious deficit. Our budget proposals do this by streamlining program operation while reducing errors and abuses. Of course, essential program benefits are maintained. Taken together, these proposals are a package that address human, as well as economic, needs.

I will be glad to answer any questions you may have.

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Statement by Secretary of Agriculture John R. Block, before a joint hearing of the House Agriculture and Foreign Affairs Committee April 7.

Mr. Chairman, I appreciate the invitation to discuss with the two committees agricultural trade and the work of the U.S. Department of Agriculture to help increase exports of U.S. agricultural products.

This hearing is most timely. There has been a slowdown in agricultural exports that has given a special urgency to USDA's efforts to maintain and expand agricultural exports.

At the same time, pressures have mounted to turn away from our historical posture of liberal trade in agriculture, a position that has served our producers well, and move toward increasing government intervention in the trade process.

So I welcome this opportunity to discuss some of the initiatives that we have taken to move agricultural exports upward again and to reaffirm our commitment to the principles of freer trade as the best course for solid, sustainable growth in U.S. agricultural exports.

Trade Policy

President Reagan's position on trade is clear—spelled out in his speech to the nation's farm editors a year ago, in his State of the Union message in January, and most recently in his trade policy address in San Francisco.

He has proposed a broad strategy in the field of international trade that increases the openness of the world trading system and is fairer to American farmers in the world marketplace. He has asked for new negotiating authority to remove barriers to get more of our products into foreign markets.

His objective is freer, more open world trade based on market forces, but with the recognition that, as he said in San Francisco, "Free trade can only survive if all parties play by the same rules."

The president has taken significant actions to enhance agricultural trade. He lifted the Soviet grain embargo, and has sought aggressively to restore American agriculture's reputation as a reliable supplier.

He spelled out to the farm editors a clear agricultural export policy that has three essential priorities: (1) restrictions will not be imposed on farm exports because of rising domestic prices, (2) farm exports

not be singled out as an instrument of foreign policy, and (3) world markets must be freed of trade barriers and unfair trade practices.

The administration trade policy objective is to preserve and extend the benefits of freer trade. This will require continued resistance to protectionist pressures at home while we continue to urge foreign governments to eliminate trade distorting policies.

The practices of some foreign governments pose extremely difficult issues for U.S. trade policy. The European Economic Community now engages in massive subsidized export action of agricultural products to dispose of the surpluses created by its high internal price-support program. Other countries, such as Japan, severely limit market access. These measures depress world prices of agricultural products, imposing substantial costs on U.S. producers in a sector where the United States holds a clear comparative advantage.

The United States traditionally seeks to induce other nations to move in the direction of freer trade and away from government interference, and we will continue to do that. This policy has served this nation and the agricultural economy well. U.S. farm exports tripled between 1971-1981—creating jobs and many other economic benefits.

We intend to continue to resisting protectionism and other market distortions, but at the same time we are prepared to support and defend American agriculture's legitimate rights and interests in international trade.

We recognize our obligation as a government to do all that we can to give the efficient U.S. agricultural producer the opportunity to compete fairly in the world market, and we will fullfill that obligation.

Current Trends In Agricultural Exports

The value of our agricultural exports is down—by close to $5 billion in fiscal year 1982 from the record $43.8 billion in fiscal year 1981, with indications of a further decline in the current year. While part of this decline is due to lower prices, export volume for most commodities is also down.

We share with the rest of the U.S. economy the negative effect on exports of the global recession and the strong dollar. But we also face problems that are peculiar to agriculture: our situation is aggravated by record world crops of grain and oilseeds, huge supplies in both

importing and exporting countries, and by a number of special problems that affect our competitive position.

One important aspect of the current slump in exports is the fact that not only are U.S. agricultural export totals declining, the U.S. share of the world market also has turned down.

This is readily apparent in wheat and feed grains. Despite the fragile condition of the world economy, world wheat consumption and import demand have continued relatively strong. United States wheat exports, however, are declining sharply this year, after a large increase last year. In the absence of any efforts by the European Community to restrain subsidized exports, we project a decline in our wheat shipments in the neighborhood of 7 million tons for 1982/83, while those of our competitors are projected to increase by about 6 million tons.

World production and consumption of feed grains has also been increasing. However, production has been increasing faster than consumption for the past two years, and the level of world trade has dropped.

This has brought a decline in U.S. feed grain exports, as might be expected, from 72.4 million tons in 1980/81 to a projected 55.9 million tons this year. But we are losing not only because of slack demand—we are losing to competition. The increase in shipments by other suppliers explains some of the U.S. decline in feed grain exports. The rest comes primarily from the drop in demand, particularly from the USSR and Eastern Europe.

We are concerned, also, about the drop in exports for numerous other commodities including cotton, soybean meal and oil, rice and poultry. Moreover, our share of the world cotton market, for example, fell from 40 to just over 30 percent from 1980 to 1982. Our meal and oil share went from 40 to 30 percent in three years and our broiler share is down by one-third.

There are many reasons for these export losses. The greatest adverse effects on our exports stem from a worldwide recession and a strong U.S. dollar overseas. Other reasons include the increased use of subsidies by competitor nations, and the continuing effect of the 1980 embargo on sales to the Soviet Union, when the U.S. share of the Soviet market for grain plunged from about 70 percent to less than 24 percent.

After President Reagan lifted the embargo in 1981, U.S. exports to the Soviets increased—reaching 13.9 million tons in fiscal 1982. This was an increase of more than two-fifths from the embargo level and close to the level of pre-embargo shipments. However those 13.9 million tons still represented only 35 percent of the USSR grain market last year.

And in the current year, the Soviet market remains the single largest market for grains—more than doubling in size in four years—and U.S. farmers have lost that growth to competitor countries. The embargo stimulated production in those countries, and they have increased their sales to other markets as well as to the Soviet Union.

The decline of U.S. agricultural exports is a cause for serious concern. It means that we have serious competitive problems that prevent us from holding our own with other exporting countries.

Our projections for the next two years show that U.S. exports will continue to decline unless we act forcefully to restore our position.

What Are We Doing?

We are streamlining and adapting the tools provided under our existing authorities to make them more effective and to reverse the decline. We have taken new initiatives and are studying others to bolster U.S. agriculture's competitive ability.

We are especially interested in the results from the new ways in which we are using export credit, particularly the blended credit program.

This program was developed primarily to enhance U.S. export opportunities in those developing countries, which, as a group, were a leading growth market until the credit crunch sharply reduced their ability to buy. We felt blended credit would be an effective tool to facilitate import financing by these countries, offering prospects for immediate U.S. export sales, and laying the groundwork for long-term export growth.

The blended credit program uses Commodity Credit Corporation GSM-5 direct credit and GSM-102 commercial export credit guarantees. Direct credit, offered interest-free, is combined with credit guarantees into a single package to produce an interest rate competitive with those offered by other suppliers.

The blended credit program was announced last Oct. 20 at $1.5 billion over three years. One hundred million dollars in direct, interest-free government credit was to be blended with at least $400 million in credit guarantees during fiscal 1983, with like amounts scheduled for each of the next two fiscal years.

The response from foreign governments in importing nations was immediate and enthusiastic. By year's end, the entire $500 million had been allocated to finance exports of more than 2.5 million tons of U.S. wheat, corn, vegetable oil, soy meal and cotton.

President Reagan followed this up Jan. 11 by allocating $250 million more in interest-free credit to be blended with at least $1 billion in credit guarantees to finance at least $1.25 billion in additional blended credit export sales during fiscal 1983.

One month after the announcement, the first credits were approved under the new program—for the sale of corn, rice, soybeans and lumber to Jamaica.

The first $500 million of blended credit was allocated to eight countries. These included Morocco where, with blended credit and straight credit guarantees, we are able to supply virtually all of Morocco's wheat import requirements of almost 2 million tons. This is a market that has been dominated by subsidized wheat from France.

Another credit package, negotiated on the scene with the Yemen Arab Republic, allows that country to increase its imports of wheat and rice, giving U.S. agriculture 100 percent of those markets this year.

Another package opened the door for the U.S. to penetrate the new and growing Philippine market for soybean meal, and still another cleared the way for the first substantial sale of U.S. cotton to Yugoslavia in almost 15 years.

The response among importing countries to the second blended credit authorization has been equally positive, and the number of applications for its use ensures that the entire amount will be used.

As of last week, blended credit had been allocated to finance the export sale of more than 7 million tons of U.S. agricultural products. They include wheat and wheat flour, corn, rice, cotton, soybeans and meal, tallow, tobacco, vegetable oil, eggs, semen and lumber.

We have also completed a supply agreement with Mexico, which I signed in February, using private export credit. It covers 6.2 million

tons of U.S. corn, sorghum, soybeans and other commodities during 1983 and provides over $1 billion in U.S. credit guarantees to facilitate these sales.

This aggressive use of credit in new ways and with existing programs is important beyond the increase in export totals that have been generated. We are penetrating markets in the face of competitor export subsidies and helping our exporters into markets that, while currently suffering some financial constraints, offer good growth potential as conditions improve.

To meet our needs in this effort, the authorization for the GSM-102 program in FY 1983 has been increased to $4.8 billion from $2.8 billion last fiscal year.

We continue, of course, to use Public Law 480 to support market expansion; and we made a special effort this fiscal year to speed up the programming of P.L. 480 Titles I/III. As a result, agreements signed during the first quarter of fiscal 1983 totaled $391 million, representing nearly 50 percent of total dollar allocations for the year. This is well above the 10-year average for this period and exceeds the dollar amount and the percentage signed for any of the 10 years.

In our budget request for fiscal 1984, we have asked for an increase of $13 million in the Title I/III sales over FY 1983 to $872 million. This level of funding will provide long-term financing for about 3.7 million metric tons of commodity exports.

The committees are familiar with our efforts to negotiate an end to the use of subsidies by the European Community—subsidies that undercut market prices, erode U.S. markets, and absorb growth that would have gone to U.S. producers.

We have met with the community four times since the GATT ministerial last November failed to come to grips with the issue of agricultural export subsidies. While we are not necessarily confident that we can negotiate a satisfactory solution with the EC very soon, we will continue to make every effort to do so and at the same time continue policies that help us remain competitive.

This administration is committed to resolving this issue by negotiation, but meanwhile it is imperative—and only fair—that we do all that we can to defend our markets.

I have described our major efforts in this regard—blended credit, credit guarantees and others—and I am pleased with their results.

The arrangement completed in January for the sale of 1 million tons of U.S. wheat flour to Egypt is a somewhat different type of effort, and it is working out very well. This was a limited, selective action intended to make U.S. wheat flour competitive in price in the face of export subsidies of other nations.

In the past few years, the Egyptian market for flour imports has been dominated by the European Community through its use of export subsidies. We worked out an arrangement with the Egyptians that allowed us to supply that market through the creative use of CCC credit guarantees and competitive pricing. The package includes credit guarantees under GSM-102 along with a competitive price to be made possible through the awarding of CCC-owned wheat to American millers who bid successfully for the business. This is based on a negotiated price of $155 a ton delivered to Egypt.

The Egypt flour sale was possible under authorities of the Commodity Credit Corporation Charter Act, and we obviously could use those authorities again. We will use them again when we feel it is warranted.

We have made considerable use of existing authorities in ways that will increase our agricultural exports, especially in those areas where we face subsidized competition. We view some of these uses as only temporary, but we will continue to use them as necessary, and in each action we plan to meet the following criteria:

— Selectivity: It must be targeted to selected countries—it it would not be be a general subsidy program.

— Additionality: It would not displace other U.S. sales—cash, credit or concessional.

— Non-interference: It would not be trade disruptive—in other words, careful efforts would be taken to protect existing trade by those who do not use export subsidies.

— Demand expansion: It would expand the demand base—not simply redistribute existing trade.

— International rules: It would be consistent with our international obligations.

Summary

In summary, Mr. Chairman, agriculture is sharing with the rest of the economy the negative effects of global economic factors on trade, with the added impact of factors peculiar to agriculture—global overproduction and heavily subsidized competition.

We have acted to meet this challenge in innovative ways, spearheaded by new uses of credit that have generated significant export sales of a wide range of commodities. We have used a one-time arrangement to restore our position in a market that had been substantially eroded by subsidized competition, and we are prepared to act as necessary in the future to support what the president called "legitimate American interests and rights in world trade."

Our objective for American agriculture continues to be a world of freer trade in which producers compete on the basis of efficiency and quality, not government decrees.

We will continue to press for negotiated solutions to the trade problems before us, and toward a recognition among trading partners that there is ultimately more to be gained than lost under a system of rational trade in agriculture.

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News Releases

CCC LOAN INTEREST RATE LOWERED TO 8-7/8 PERCENT

WASHINGTON, April 4—Commodity and farm storage loans disbursed in April by the U.S. Department of Agriculture's Commodity Credit Corporation will carry a 8-7/8 percent interest rate, according to CCC Executive Vice President Everett Rank.

The new rate, down from 9 percent, reflects the interest rate charged CCC by the U.S. Treasury in April, Rank said.

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FAST FREDI FOILS FOOD STAMP FRAUD

WASHINGTON, April 5—Fast "Fredi" is uncovering fraud and saving taxpayers' dollars in the food stamp program.

Fredi is not an undercover agent, but a highly sophisticated computerized scanner capable of pinpointing retail grocers who attempt to cash food stamps illegally.

An acronym for Fast Fraudulent Redemption Identification, Fredi is a part of "Operation Awareness," the U.S. Department of Agriculture's latest effort to reduce fraud, waste and abuse in the $11 billion food stamp program. The project, announced recently by Secretary of Agriculture John R. Block, is a national effort of federal, state and local governments to emphasize accountability and strengthen public confidence in the food stamp program.

"We now are able to use the computer to identify unauthorized redemption certificates and get the word out to our field offices for fast action," said Robert E. Leard, administrator of the USDA's Food and Nutrition Service.

"Instead of taking six to seven months to identify these problems, Fredi lets us respond in 30 to 60 days. If there is any improper behavior, we can move much faster against the offending party," Leard said.

He quickly pointed out that 99 percent of the more than 230,000 retailers participating in the food stamp program are honest merchants. "Fast Fredi is rooting out the other one percent so the government can take the necessary action against them," Leard said.

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USDA WITHDRAWS INSPECTION FROM MORRILTON, ARK., SLAUGHTER PLANT

WASHINGTON, April 5—Effective May 20, the U.S. Department of Agriculture will withdraw federal meat inspection services indefinitely from the Millsap Packing Company, Morrilton, Ark.

"The USDA action against the firm and its owner, Robert Millsap, was initiated after both were convicted in U.S. District Court of preparing meat without inspection and of using an official inspection mark without authorization," said Donald L. Houston, administrator of USDA's Food Safety and Inspection Service. The court fined the company and Millsap $2,000 and placed the owner on two years probation.

The charges were filed last July following an investigation by USDA compliance officers which revealed that the official USDA inspection mark had been illegally stamped on uninspected beef carcasses. The inquiry took place after a USDA inspector discovered more carcasses in the plant's cooler one morning than had been there at the end of the previous day. All bore the USDA inspection stamp.

"Once USDA withdraws inspection, a company cannot market its products since all meat sold in interstate commerce must be inspected and passed by USDA," Houston said. "USDA may withdraw inspection services if a company or anyone responsibly connected with it is convicted of violation of the Federal Meat Inspection Act."

USDA inspects meat sold in commerce to ensure that it is wholesome, unadulterated and accurately labeled.

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USDA AUDITS PIK PROGRAM

WASHINGTON, April 6—In an effort to detect problems as they occur, the U.S. Department of Agriculture's Office of the Inspector General is auditing the newly-created payment-in-kind program.

John V. Graziano, USDA inspector general, said the special audit will identify problems in implementing the PIK program at state and county levels nationwide.

"The audit is designed to detect weaknesses and evaluate systems and procedures that could impact on future delivery of PIK commodities. This will help prevent improper payment-in-kind and cash payments and reduce the costs of attempting to collect these overpayments later," Graziano said.

Under the PIK program announced Jan. 11, farmers may allow some of the land they normally farm to lie idle. In return, they will get a certain amount of the commodity they would have raised, from reserves held by the government, and commodities pledged as collateral for commodity credit price support loans.

The PIK program is being administered by USDA's Agricultural Stabilization and Conservation Service, through its offices in 3,000 counties nationwide.

The audit will cover all aspects of the PIK program and will be conducted in three phases. The first phase began March 21 with field work in 15 states. This phase, which includes reviews of requirements for program participation, is to be completed by April 15. States selected for review are: Iowa, Nebraska, Kansas, Colorado, North Dakota, Mississippi, Georgia, Minnesota, Indiana, Illinois, Texas, Louisiana, Arkansas, California and Washington.

Phase two begins on May 15 with reviews in states and counties to be selected. During this phase, the audit of the rice and cotton cooperatives will get underway on June 15 with emphasis on compliance.

Phase three, which begins in mid-September will cover USDA's Kansas City field office and county offices, co-ops and warehouses's handling commodities designated for PIK. This phase of the audit is to end in early 1984.

ASCS Administrator Everett Rank said producers will be interviewed, farming practices examined, and visits made to co-ops and

warehouses to determine eligibility for payments and compliance with program regulations.

The PIK program is aimed at bringing supply more in line with demand. Its three-fold purpose is to curtail production, reduce surplus stock holdings and avoid increased federal budget outlays that would otherwise be necessary under price support programs.

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USDA INVITES COMMENTS ON PROPOSED KIWIFRUIT MARKETING ORDER

WASHINGTON, April 6—Kiwifruit growers and the public may submit written comments to the U.S. Department of Agriculture until April 22 on a proposal to establish a federal marketing order for kiwifruit grown in California and Oregon.

Charles Brader, a marketing official with USDA's Agricultural Marketing Service, said the Kiwifruit Growers of California, Inc., submitted the proposal to USDA. Anyone may suggest changes or submit other proposals, he said.

The proposed program would authorize grade, size, quality, maturity and pack regulations. A committee made up of 12 grower members and one public member would work with USDA in administering the program. Administrative costs would be financed by assessments paid by kiwifruit handlers.

Brader said USDA eventually may hold a public hearing on the proposed program. USDA would make its recommended decision after considering hearing testimony and public comments. To become effective, any program would have to be voted on and approved by kiwifruit growers.

Copies of the proposal may be obtained from William J. Doyle, rm. 2523-S, AMS, USDA, Washington, D.C. 20250; phone (202) 447-5975. Written comments should be sent to the same location, where they will be available to the public.

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USDA STARTS NATIONWIDE PSEUDORABIES SURVEY

WASHINGTON, April 7—U.S. Department of Agriculture veterinarians have begun a one-year survey of pseudorabies in America's swine population, a USDA animal health official said today.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said USDA veterinarians will test 13,000 blood serum samples taken randomly from swine at federally inspected slaughter plants.

"Thanks to the cooperation of USDA's Food Safety and Inspection Service, meat inspectors will collect samples and submit them for testing to the USDA National Veterinary Services Laboratories at Ames, Iowa," Atwell said.

"This statistically designed survey should give us the best measurement yet of pseudorabies infection," he said. "We will be sampling all types of swine sent to slaughter, including breeding animals as well as the finished market hogs."

Atwell said pseudorabies surveys were made in 1974, 1977-78 and 1980-81. However, the information in two of the surveys may have been biased by short sampling periods and seasonal differences in disease incidence.

Atwell said the survey will have an added dividend. A portion of the samples will be returned to USDA scientists for tests to determine the prevalence of trichinosis.

Pseudorabies, also known as Aujeszky's disease or "mad itch," is a virus disease of swine that is highly fatal to newborn pigs. It can be transmitted to most other warmblooded animals except humans. Swine are the natural host and, once they are infected, they can become carriers of the disease and will shed the virus when they become stressed.

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USDA ANNOUNCES 1983-CROP HONEY LOAN AND PURCHASE RATES

WASHINGTON, April 7—Honey producers will receive average loan and purchase rates from the U.S. Department of Agriculture of

62.2 cents per pound on their 1983 production, 1.8 cents above the 1982 level and the minimum required under current legislation.

According to Everett Rank, administrator of USDA's Agricultural Stabilization and Conservation Service, extracted honey loan and purchase rates will range from 54.4 cents to 64.4 cents per pound, depending on color and class.

The rates, which apply to extracted honey in 60-pound or larger containers, are:

Color and/or Class	*Cents Per Pound*
White or lighter	64.4
Extra light amber	61.4
Light amber	58.4
Other table and non-table honey	54.4

Rank said the 1983 level represents 60 percent of the April 1983 adjusted parity price of $1.037 cents per pound.

Loans and purchases will be offered on 1983-crop honey in eligible containers, on or off farms, Rank said. Producers have until Jan. 31, 1984, to request loans that will mature April 30, 1984, he said.

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USDA PROPOSES RULE FOR SUGAR RE-EXPORTS

WASHINGTON, April 7—The U.S. Department of Agriculture has proposed a rule that would permit U.S. refiners to import sugar free of existing quotas for re-export in refined form.

Acting Under Secretary of Agriculture Alan T. Tracy said the proposal would permit U.S. refiners to use excess capacity by importing raw sugar to produce refined sugar that would be competitive on the world market.

As a result of the sugar price support program enacted by Congress in 1981, U.S. producer prices are supported at 17 cents per pound and imports are controlled by quotas. The world price is about 7 cents.

Tracy said the price of sugar imported under quota largely reflects the U.S. market stabilization price of 20.73 cents per pound, making U.S. refined sugar noncompetitive on the world market.

Under the proposed rule licenses will be issued for the entry of sugar into the U.S., exempt from quota, then exported in refined form. Licenses may be issued only to a refiner of sugar and are not assignable unless specifically authorized. However, the refiner may employ an agent to import or export sugar on behalf of the refiner. There is a 25,000 short ton limit per applicant.

To guarantee that sugar imported under a license is used only for the purposes intended, the refiner must post a bond to cover all entries under a license.

The proposed rule is scheduled to be published in the April 8 Federal Register. Comments and suggestions should be sent to the Chief, Sugar Group, Horticultural and Tropical Products Division, Foreign Agricultural Service, USDA, Washington, D.C., 20250. Comments must be received by May 9. For more information contact James A. Truran (202) 447-2916.

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USDA GIVES STORY LEADS

WASHINGTON, April 7—Here are some updates and contacts for some of the research work scientists are doing at the U.S. Department of Agriculture:

EARTH CRACKS AS UNDERGROUND WATER IS USED UP—Irrigated areas in parts of the West and Southwest are gradually settling due to declining water levels underground.

As the land subsides, cracks and gullies form, some more than 30 feet deep, 10 feet wide and a mile long.

Cause: Overpumping of groundwater supplies. The consequences can include damage to bridges, roads, railways, storm sewers and under-ground pipes and wells—plus increased flooding along coastal and low-lying areas.

Agricultural Research Service scientists and engineers in Phoenix, Ariz., have taken steps to solve the problem. They have developed a

way to predict how deep the land will subside in an area. And they can tell where cracks might occur from too much groundwater usage.

Such knowledge could lead to better strategies for pumping groundwater in vulnerable areas.

Researchers are testing new ways to reduce the amount of groundwater tapped for irrigation and to minimize groundwater contamination by chemicals from irrigated fields. And they are studying what complex variety of underground conditions cause earth cracking and movement and how to replenish depleted groundwater supplies.

CONTACT: Herman Bouwer, U.S. Water Conservation Laboratory, Agricultural Research Service, USDA, Phoenix, Ariz. 85040. Telephone: (602) 261-4356.

TRACKING FATE OF PESTICIDES—How fast do pesticide residues disappear in plants, soil, water and air?

Glass chambers called "micro-agro-ecosystems" are helping researchers monitor residues for new data. Answers will aid in identifying the effectiveness of pesticides, possibly lower usage and, in turn, lower costs to farmers.

USDA's Agricultural Research Service scientists designed and built the chambers so pesticides can be monitored year-around in the laboratory. Otherwise, evaluating pesticides is costly and limited to crop-growing seasons. A pesticide can be applied, in the chamber, at different stages of a crop's growth, or measured in water leached through the soil, or monitored over time in plant tissue and soil.

CONTACT: Ralph G. Nash, soil scientist, Pesticide Degradation Laboratory, Beltsville Agricultural Research Center, Agricultural Research Service, USDA, Beltsville, Md. 20705. Telephone: (301) 344-3076.

AQUATIC WEED THREATENS U.S. WATERWAYS—Hydrilla, a native weed of Central Africa, infests rivers, lakes and streams in at least nine states, and is threatening over 400 miles of waterways in Southern California alone.

A recent survey revealed the noxious weed is growing in the Potomac River and Chesapeake and Ohio canal.

Scientists in the Agricultural Research Service, other federal agencies, and state offices and universities are studying naturally occuring chemicals, insects and fish as a way to prevent the weed from infesting municipal water supplies, irrigation districts and recreational waters.

Left unchecked, hydrilla builds a thick mat on the bottom of waterways, reducing their capacity and waterflow.

CONTACTS: Lars W. J. Anderson, plant physiologist, Aquatic Weeds Control Research, Agricultural Research Service, USDA, Davis, Calif. 95616. Telephone: (916) 752-6260. And, Kerry K. Steward and Thai Van, plant physiologists, and Ted D. Center, entomologist, Aquatic Weed Control Research, Agricultural Research Service, USDA, Fort Lauderdale, Fla. 33314. Telephone: (305) 475-0541.

FIRE ANTS BEWARE—An environmentally-safe insecticide for the imported red fire ant prevalent in the South has been registered by the Environmental Protection Agency.

That insecticide is Pro-drone, manufacturered by Stauffer Chemical Co., which obtained the license to the USDA-patented insecticide developed by an Agricultural Research Service scientist.

Resembling the fire ant's own hormone, the insecticide eliminates these pests by disrupting their social system. It takes several months but only two (spring and fall) applications for the insecticide to work.

CONTACT: Meyer Schwarz, research chemist, Organic Chemical Synthesis Laboratory, Agricultural Research Service, USDA, Beltsville, Md. 20705. Telephone: (301) 344-2028.

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USDA ISSUES LICENSE FOR REDUCED-DOSAGE BRUCELLOSIS VACCINE

WASHINGTON, April 7—The first license for a commercially produced reduced-dosage "strain 19" vaccine—used to protect cattle against brucellosis—has been issued to Burroughs Wellcome Company, a U. S. Department of Agriculture official said today.

"Reduced-dosage strain 19 offers substantial protection against brucellosis but with less risk of interfering with future blood tests as sometimes happened when the standard dosage was used," said John Atwell of USDA's Animal and Plant Health Inspection Service.

"The license to Burroughs Wellcome means a reduced-dosage strain 19 can now be used for the first time in 16 additional states," Atwell said. Under special provisions, reduced-dosage has been available since October 1980 in a number of states with special laboratory facilities for diluting the standard dosage formerly used.

"Now the reduced-dosage vaccine can be used in states without this special laboratory capability," Atwell said. States heretofore not using reduced dosage include: Arizona, Connecticut, Delaware, Illinois, Indiana, Iowa, Kansas, Maryland, Massachusetts, Michigan, Minnesota, North Carolina, Ohio, Rhode Island, West Virginia and Wisconsin.

Ohio and Wisconsin will have to take legal actions before the commercially produced reduced-dosage vaccine can be used in those states, he said.

The new product consists of 3 to 10 billion organisms in a 2 milliliter dose. It should be administered only to healthy female animals, with age and other limits as specified by state animal health authorities, Atwell said.

Strain 19 vaccine, in either standard or reduced dosage, is a live product requiring special handling to assure viability.

"It can be administered only by a veterinarian," Atwell said.

The new product is known technically as Brucella abortus vaccine, strain 19, live culture, reduce dose. At least two other biologics companies—Colorado Serum Co. and BAYVET Division of Miles Laboratories—are expected to offer the product commercially in the near future, Atwell said.

USDA coordinates a national state-federal program to control and wipe out brucellosis in livestock. The disease can cause serious

economic losses for cattle owners by reducing the calf crop and lowering milk production.

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HEWS NAMED DEPUTY MANAGER OF USDA CROP INSURANCE AGENCY

WASHINGTON, April 8—Edward D. Hews has been named deputy manager of the U.S. Department of Agriculture's Federal Crop Insurance Corporation, Merritt Sprague, manager of the agency, said today.

Hews replaces Robert H. Sindt, who transferred to USDA's Agricultural Stabilization and Conservation Service.

Prior to accepting the crop insurance post, Hews had been deputy administrator for program planning and development at the stabilization and conservation agency. He was responsible for analytical planning of program developments, appeals and correspondence and was secretary of the Commodity Credit Corporation.

Before that, Hews was executive assistant to the administrator of the agency. He was acting administrator of the agency during the transition period in 1981 and has been assistant to the deputy administrator for state and county operations.

Earlier, Hews served as chairman of the Aroostook county, Maine, Agricultural Stabilization and Conservation committee. He also served as director of the stabilization and conservation agency's northeast region and director of the eastern region.

From 1943 to 1971, Hews raised potatoes, sugar beets, barley and other crops in Maine.

Hews is a member and past director of the Maine Potato Council and has been active in the National Grange and Presque Isle Rotary Club. He has served as president of the Wahington, D.C., chapters of the Maine State Societies and the Soil Conservation Society of America.

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INSURED FARMERS GIVEN MORE TIME TO GET THEIR YIELDS CERTIFIED

WASHINGTON, April 8—Farmers who wish to file for individual yield certification on their crops covered by the U.S. Department of Agriculture's Federal Crop Insurance Corporation will have extra time to do so this season.

Merritt Sprague, manager of the crop insurance agency, said today many farmers who carry the insurance need more time to get their yields certified because of the increased workload in USDA offices resulting from the popular payment-in-kind program.

Growers in the payment-in-kind program must let some of their land lie idle and plant a cover crop in return for grains now stored by the government.

Reports for actual acreage planted are due about 10 to 20 days after the final planting date for a crop. Farmers get their certification through county offices of USDA's Agricultural Stabilization and Conservation Service. "In order to give all farmers an adequate opportunity to take advantage of the individual yield coverage plan," said Sprague, "we have extended our deadline for certification to the date acreage reports are due."

Sales closing dates also have been extended. All March 31 sales closing dates have been extended to April 15, and all April 15 sales closing dates have been extended to April 30.

Under the individual yield coverage plan, crop insurance coverage is based on the individual producer's own history. If a producer chooses not to participate in this plan, the coverage is calculated on the average yield for the crop in the geographic area.

Sprague said the plan works to the advantage of farmers whose yields are significantly higher than the area average.

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7 BUSINESSMEN CHARGED WITH FRAUD IN FMHA LOAN GUARANTEES

WASHINGTON, April 8—Seven U.S. businessmen face trial in the District Court of the Virgin Islands on charges of fraud and racketeering

in the $3.1 million funding of two island transport companies with loans guaranteed by the U.S. Department of Agriculture's Farmers Home Administration.

The U.S. attorney's office in St. Thomas has charged that James J. Wasson, chairman of the First National Bank of Cushing, Okla., Neal Culp, a director of the bank, and five other persons obtained loans from the Cushing bank and loan guarantees from USDA's Farmers Home Administration in a scheme to defraud the U.S. government.

Both Wasson and Culp allegedly became directors of one of the two companies, International Marine Transport Services, Inc., which received three loans totaling $2.6 million. Culp, a Cushing oilman, allegedly was president of the other firm, Sea Island Transport, Inc., which received $500,000 from the bank.

The other five defendants, said to be Virgin Islands residents, are Rudolph Francis, Joe Burke, Richard Domencius, Leroy Marchena and Robert J. Horstmeyer. Francis and Marchena have been arrested and are scheduled to be arraigned in the District Court of the Virgin Islands on April 13.

The 48-count complaint includes charges of racketeering, interstate transportation of property obtained by fraud and mail fraud in a scheme to defraud the United States by obtaining $3.1 million in government guaranteed loans.

The racketeering count charges Francis, Culp, Wasson, Burke, Domencius and Marchena with violation of Title 18 of the U.S. Code, which carries a maximum penalty of 20 years imprisonment and a $25,000 fine. Francis, Culp, Wasson, Burke and Marchena are charged in 13 counts of interstate transportation of property obtained by fraud. Conviction carries a maximum penalty of 10 years imprisonment and a $10,000 fine on each count.

Mail fraud charges are: 34 counts against Francis, Wasson, Culp and Burke, 25 counts against Horstmeyer and 9 counts against Domencius and Marchena. Mail fraud carries a maximum penalty of five years imprisonment and $1,000 fine on each count.

The government also seeks to forfeit all interest in and assets of Neal Culp and James J. Wasson in seven companies used to conduct and facilitate the alleged racketeering enterprise.

According to U.S. Attorney Hugh P. Mabe, III, the charges, filed April 5, resulted from a lengthy investigation conducted initially by the USDA Office of Inspector General. The Federal Bureau of Investigation later became involved in the probe and the two agencies worked together to complete the case, Mabe said.

Mabe commended agents of the FBI and USDA's Office of Inspector General for the excellent support and efforts. He said the investigation was coordinated by Bohn E. Phillips, assistant U.S. attorney.

The Farmers Home Administration business and industry program guarantees up to 90 percent of loans by banks and other private lenders to businesses in rural areas and small towns.

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USDA HALTS MEAT IMPORTS FROM CZECHOSLOVAKIA

WASHINGTON, April 8—The U.S. Department of Agriculture has removed Czechoslovakia's meat processing plants from the list of approved exporters to the United States because of polychlorinated biphenyl—PCB—residues.

Canned hams, which arrived in March, were refused entry at the port and did not reach consumer channels, according to Deputy Secretary of Agriculture Richard E. Lyng. The PCB was found during routine residue monitoring.

USDA has offered to assist the Czechoslovakian government in determining the source of contamination so that imports from that country can be resumed as quickly as possible, he said.

"Our decision to stop accepting product from Czechoslovakia reflects USDA's mission to ensure the safety and wholesomeness of foreign meat imports," said Lyng.

"As a result, we are stopping shipments from Czechoslovakia's three export-approved plants until we can be sure that the Czechoslovakian meat inspection system can meet U.S. standards on a continuing basis," he said.

According to Lyng, all product currently awaiting entry into the United States, as well as product still in transit, will be held at port-of-entry where it will be thoroughly tested. Only when scientific analysis shows the product meets U.S. standards will it be allowed to enter U.S. commerce.

In 1982, the United States imported approximately 3.36 million pounds of canned hams from Czechoslovakia—less than one percent of the almost 2 billion pounds of meat imported last year.

"No recall of Czechoslovakian hams currently in this country is contemplated, since previously imported product has been thoroughly tested and is safe and wholesome," Lyng said.

The Federal Meat Inspection Act requires that foreign countries exporting meat to the U.S. impose inspection requirements that are at least equal to those required of domestic plants.

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